

OLYMPIA, WASHINGTON

June 8, 2004

The State Finance Committee met in a special meeting after notice duly given to the press and radio of Thurston County.

Present: Michael J. Murphy, State Treasurer
Brad Owen, Lt. Governor

Also Present: Allan J. Martin, Office of the State Treasurer
Tom Morrill, Office of the Attorney General
Svein Braseth, Office of the State Treasurer
Darlene DeRose, Montague DeRose & Associates
Nancy Adams, Office of the State Treasurer
Susan Musselman, Susan D. Musselman, Inc.
Dean Torkelson, Seattle-Northwest Securities
Bill Tonkin, Foster Pepper & Shefelman
Rob Shelley, Seattle-Northwest Securities
Vicki Cox, Office of the State Treasurer
Sue Melvin, Office of the State Treasurer
Jeff Caldwell, Department of Transportation
Amy Arnis, Department of Transportation
Kristi Wolgamot, Office of the State Treasurer
Shad Pruitt, Office of the State Treasurer
Barton Potter, Office of the State Treasurer
Mike Roberts, Office of Financial Management
William Chase, Department of Personnel
Nancy Notter, Office of the State Treasurer

Chairman Murphy called the meeting to order.

Lt. Governor Owen moved the minutes for the February 26, 2004 meeting be approved. Chairman Murphy seconded the motion. The motion passed and the minutes were adopted.

Mr. Martin said proposed Resolution No. 997 provides for the issuance and sale of up to \$350,050,000 State of Washington Various Purpose General Obligation Bonds, Series 2005A, authorized by Chapter 14, Laws of 1989, 1st Ex. Sess.; Chapter 15, Laws of 1990, 1st Ex. Sess.; Chapter 9, Laws of 2001, 2nd Sp. Sess.; Chapter 3, Laws of 2003, 1st Sp. Sess.; Chapter 18, Laws of 2003, 1st Sp. Sess.; and Chapter 39.42 RCW for the purpose of providing funds to pay and reimburse the state for various state capital project expenditures and state buildings and facilities for institutions of higher education expenditures; fixing the date, form, terms, maturities, redemption provisions and covenants of the bonds; providing for certain other provisions safeguarding the payment of the principal thereof and interest thereon; and authorizing and directing the sale of said bonds. The Series 2005A will be used to fund cash flow requirements

for construction of state capital projects, state buildings and facilities for institutions of higher education. Bond proceeds from this proposed issue are to be deposited or transferred to the following funds: State Vehicle Parking Account (fund 045), State Building Construction Account (fund 057), Capitol Historic District Construction Account (fund 350), and Gardner-Evans Higher Education Construction Account (fund 357).

Mr. Torkelson said interest rates have risen slightly with the job market showing suddenly stronger. The chart in the briefing books tracks interest rates for the last year. Chairman Murphy asked if these bonds were the last phase of the Legislative Building renovation and parking. Mr. Martin answered yes. Chairman Murphy said the Gardner-Evans Higher Education Construction Account was also included in these bonds.

Mr. Martin presented proposed Resolution 997 to the committee.

Resolution 997 authorizes the issuance and sale not to exceed \$350,050,000 State of Washington Various Purpose General Obligation Bonds, Series 2005A, authorized by Chapter 14, Laws of 1989, 1st Ex. Sess; Chapter 15, Laws of 1990, 1st Ex. Sess.; Chapter 9, Laws of 2001, 2nd Sp. Sess.; Chapter 3, Laws of 2003, 1st Sp. Sess.; Chapter 18, Laws of 2003, 1st Sp. Sess., and Chapter 39.42 RCW.

Lt. Governor Owen moved to adopt Resolution 997. Chairman Murphy seconded the motion and the resolution was adopted.

Mr. Martin said proposed Resolution No. 998 provides for the issuance of Motor Vehicle Fuel Tax General Obligation Bonds, Series 2005B, of the state, in the principal amount of not to exceed \$173,700,000, authorized by Ch. 7, Laws of 1967, Ex. Sess., as amended (RCW 47.10.762); Ch. 431, Laws of 1993, as amended (RCW 47.10.812); Ch. 321, Laws of 1998 (Referendum 49), (RCW 47.10.843); Ch. 147, Laws of 2003 (RCW 47.10.861); and Ch. 39.42 RCW; and Motor Vehicle Fuel Tax General Obligation Bonds, Series 2005C, of the state, in the principal amount of \$65,000,000, more or less, authorized by Ch. 321, Laws of 1998 (Referendum 49), (RCW 47.10.843) and Ch. 39.42 RCW; for the purpose of providing funds to pay and reimburse state expenditures for the location, design, right of way, and construction of state and local highway improvements; and selected projects or improvements that are identified as transportation 2003 projects or improvements in the omnibus transportation budget; fixing the date, form, terms, maturities, redemption provisions and covenants of the bonds; providing for certain other provisions safeguarding the payment of the principal thereof and interest thereon; and authorizing and directing the sale of said bonds. Mr. Martin said a letter from the Washington State Department of Transportation (DOT) describing projects to be funded with the bond proceeds was included with the memorandum.

Ms. Arnis said she checked with the project coordinator for the Tacoma Narrows Bridge and was told the bridge construction was on time and on budget. She said the cap is being poured on the Gig Harbor side and in July we will be able to see towers going up. She said there has been some concern that steel prices are going up, but steel prices are the risk of the contractor.

Mr. Martin presented proposed Resolution 998 to the committee.

Resolution 998 authorizes the issuance and sale of not to exceed \$173,700,000 of State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2005B, authorized by Chapter 7, Laws of 1967, Ex. Sess, as amended (RCW 47.10.762); Chapter 431, Laws of 1993 (RCW 47.10.812); Chapter 321, Laws of 1998 (Referendum 49) (RCW 47.10.843), Chapter 147, Laws of 2003 (RCW 47.10.861); and Chapter 39.42 RCW; and \$65,000,000, more or less, of State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2005C, authorized by Chapter 321, Laws of 1998 (Referendum 49) (RCW 47.10.843), and Chapter 39.42 RCW.

Lt. Governor Owen moved to adopt Resolution 998. Chairman Murphy seconded the motion and the resolution was adopted.

Mr. Martin said proposed Resolution No. 999 provides for the issuance and sale of up to \$45,375,000 State of Washington General Obligation Bonds (State Housing Trust Fund), Series 2005T (Taxable), authorized by Chapter 3, Laws of 2003, 1st Sp. Sess., and Chapter 39.42 RCW, for the purpose of providing funds to pay the state for housing assistance, weatherization and affordable housing project expenditures; fixing the date, form, terms, maturities, redemption provisions and covenants of the bonds; providing for certain other provisions safeguarding the payment of the principal thereof and interest thereon; and authorizing and directing the sale of said bonds. The Housing Trust Fund with the Washington State Office of Community Development (OCD) helps provide safe and affordable housing in communities throughout the state. The Housing Trust Fund supports the construction or rehabilitation of more than 3,000 housing units each biennium.

Mr. Martin said these programs, known collectively as the Housing Trust Fund (HTF), provide low-interest loans and grants from bond proceeds to private non-profit entities, which may include charitable 501(C) (3) organizations. The sale of taxable bonds is proposed to help assure compliance with applicable federal tax laws by providing a source of funds (other than proceeds of tax-exempt bonds) for expected or potential expenditures to make HTF loans to nongovernmental persons or to provide facilities that otherwise would not qualify for tax-exempt financing. Mr. Torkelson said taxable rates are up a little like the municipal rates.

Mr. Martin presented proposed Resolution 999 to the committee.

Resolution 999 authorizes the issuance and sale of up to \$45,375,000 State of Washington General Obligation Bonds (State Housing Trust Fund), Series 2005T (Taxable), authorized by Ch. 3, Laws of 2003, 1st Sp. Sess.

Lt. Governor Owen moved to adopt Resolution 999. Chairman Murphy seconded the motion and the resolution was adopted.

Chairman Murphy said he recently had staff research the start of this resolution numbering. They looked in the old leather-bound, hand typed, minute books and found the first resolution numbered was in 1961 when Roselini was Governor.

Mr. Martin said proposed Resolution No. 1000 approves the form of a Master Financing Contract, including the form of State Agency Financing Addendum thereto, to be entered into by the State, acting by and through the State Treasurer and the State Department of Personnel, and related documents for the acquisition, development and implementation of certain items of personal property comprising a new state human resources management system, as authorized Section 130, Chapter 25, Laws of 2003, 1st Sp. Sess., as amended by Section 120, Chapter 276, Laws of 2004, and the issuance and sale of up to \$38,911,000, plus financing expenses and required reserves, of State of Washington Certificates of Participation, Series 2004D, pursuant to Chapter 39.94 RCW.

Mr. Martin said proceeds of the sale will be used to purchase, develop and implement a new state human resource management system. The Personnel System Reform Act of 2002 requires substantive changes to Washington State's collective bargaining, competitive contracting and civil service rules and processes. The current state human resource information systems are unable to meet the new classification system for collective bargaining. In order to comply with the Personnel System Reform Act of 2002, the State Department of Personnel received authorization from the Legislature to enter into a financing contract to purchase, develop and implement a new state human resource management system. Mr. Chase said they originally started with a smaller total needed to finance based on the original study, but the Legislature approved this project. Mr. Roberts said the Office of Financial Management approves this project.

Mr. Martin presented proposed Resolution 1000 to the committee.

Resolution 1000 approves the form of a Master Financing Contract, including the form of State Agency Financing Addendum thereto, to be entered into by the State, acting by and through the State Treasurer and the State Department of Personnel, and related documents for the acquisition, development and implementation of certain items of personal property comprising a new state human resources management system, as authorized by Section 130, Chapter 25, Laws of 2003, 1st Sp. Sess., as amended by Section 120, Chapter 276, Laws of 2004, and the issuance and sale of up to \$38,911,000, plus financing expenses and required reserves, of State of Washington Certificates of Participation, Series 2004D, pursuant to Chapter 39.94 RCW.

Lt. Governor Owen moved to adopt Resolution 1000. Chairman Murphy seconded the motion and the resolution was adopted.

There being nothing further to come before the committee, the State Finance Committee meeting was adjourned at 10:14 a.m. and the Public Deposit Protection Commission meeting was called to order.

STATE FINANCE COMMITTEE
STATE OF WASHINGTON

Michael J. Murphy, State Treasurer & Chairman

Gary Locke, Governor & Member

Brad Owen, Lieutenant Governor & Member

Allan J. Martin
Deputy State Treasurer & Secretary